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SUBJECT: HIGHER GROWTH IN NICARAGUA'S TOURISM SECTOR IN 2009

REFS: A) 08 MANAGUA 1331, B) MANAGUA 753

SUMMARY

1. (SBU) The Nicaraguan Tourism Institute (INTUR) reported that the tourism industry grew 10 percent during the first half of 2009, up from 8 percent growth during the same period in 2008. Some industry experts believe that INTUR's data, however, may not be accurate because it does not distinguish among family visits, business travel, missionary groups, and leisure travel. Industry experts said the reason for the sector's growth is that Nicaragua offers tourists an inexpensive destination for vacation. They are optimistic that 2009 will be better than 2008, but they are concerned that the Honduran crisis will have a negative impact on the tourism sector for the remainder of the year.

STATISTICS SHOW GROWTH - BUT EXPERTS SKEPTICAL

2. (SBU) On August 4, INTUR released its 2009 mid-year report on the tourism industry. INTUR reported that tourism grew by 10% during the first half of 2009, versus an 8 percent hike during the same period in 2008, and 10 percent growth in 2007. The government counted 456,873 foreign visitors to Nicaragua during the first half of 2009 (including family visits, business travel, and leisure). During the first half of 2008, 416,242 foreigners visited Nicaragua. During the first trimester of 2009, INTUR reported \$87 million in revenues for the tourism sector, up from \$75 million in 2008 when compared to the same period. The report concludes with a projection that revenues will grow by 16 percent in 2009.

3. (SBU) Alfredo Gutierrez, former president of the Nicaraguan Association of Tourism Operators (ANTUR) and owner of a small tourism company, noted that INTUR data is poorly prepared and does not distinguish between family visits, business travel, and leisure travel (tourism). He added that INTUR's failure to disaggregate these types of visitors makes it difficult to identify industry trends. For example, experts suggest that business travel declined slightly during the first half of 2009; the managers of three major hotels in Managua report that hotel occupancy rates across the city were very low compared to the first half of 2008 (Ref A).

TOURISM INDUSTRY: STRUGGLING BUT SURVIVING

4. (SBU) Despite some skepticism concerning INTUR's statistical data, leisure travel appears to have increased. Lucy Valenti, President of the National Chamber of Tourism (CANATUR), explained that the global economic crisis has compelled many tourists to look for inexpensive destinations, such as Nicaragua, for their vacations. She said the elimination of tourist visas for Costa Ricans has increased the number of visitors from their neighbor to the South. In addition, cruise ships are docking more frequently at Nicaraguan ports. During the first half of 2009, cruise ships made

over 40 port calls, a 5 percent increase compared to the same period in 2008.

15. (SBU) Gutierrez said that he and others in the tourism industry have lowered their prices to attract customers, and these adjustments have helped to maintain their businesses. In Granada and San Juan del Sur -- the most popular tourist destinations in Nicaragua -- hotels, bars, and restaurants report that their sales are either as good as last year or better. These companies noted, however, that tourists are looking for bargains and are not willing to spend as much money as they did in previous years. A majority of leisure travelers are also staying in smaller, inexpensive hotels for vacations of 5-7 days, instead of 10-14 day vacations, to save money. The bigger and more expensive hotels and resorts are attracting fewer customers compared to last year. Many tourism-related businesses have had to either reduce their operating expenses or dismiss staff in order to stay afloat.

HONDURAN CRISIS NEGATIVELY IMPACTS TOURISM

16. (SBU) Mario Salinas, President of INTUR, expressed concern that the Honduran crisis will affect tourism. Salinas stated that 60 percent of the tourists who come to Nicaragua in June, July, and August -- the industry's high season -- come from Honduras and El Salvador. He opined that the Honduran crisis not only adversely affects the Nicaraguan economy, but also gives the entire region a bad image. Tourism companies report that they have canceled organized tours to Nicaragua because of their customers' security concerns. Industry representatives said their sales have dropped by 60 percent since the Honduran crisis began on June 28. The months of June, July, and August normally attract a large number of tourists because of the holidays and festivities that occur in Nicaragua and the region during this period (Ref B).

OPTIMISM FOR 2009

17. (SBU) Industry representatives are optimistic that 2009 will be better than 2008. Entrepreneurs are encouraged that there has been a slight increase in the number of tourists so far in 2009. They also report that the government is beginning to listen to their complaints about electricity and water supplies, and the crucial need for better roads. They are concerned, however, about the Honduran crisis' negative impact on tourism during the high season. They fear that if this crisis is further prolonged, and the GON continues to allow Honduran President Manuel Zelaya to heighten tensions along the border, the tourism industry will suffer for the remainder of the year.

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